



FEFA's Social Gender Bond

Annual Report

FEFA20G



1. GENERAL OVERVIEW

Trust Funds for Rural Development (Spanish: Fideicomisos Instituidos en Relación con la Agricultura; “FIRA”) was established in 1954 by Mexico’s Federal Government as a second-tier development financial institution that offers credit and guarantees, training, technical assistance and technology-transfer support to the agriculture, livestock, fisheries, forestry and agribusiness sectors in Mexico. FIRA is part of the Mexican financial system and consists of four trusts funds (FONDO, FEFA, FEGA and FOPESCA) that were created and integrated to fulfil its current structure. FEFA is the Social Bond issuer.

The mission of the institution is to foster the consolidation of an inclusive, sustainable and productive agricultural and rural sector.

In order to fulfil the inclusive part of its mission, FIRA’s Institutional Program for 2020-2024¹ (IP20-24) incorporates policies and actions that contribute to enhancing gender equality by (i) fostering financial inclusion; (ii) designing financial products adapted to the needs of producers, particularly vulnerable groups and women; and (iii) incorporating a gender perspective throughout the institution’s objectives and operations².

For these purposes, the IP20-24 establishes three priority goals (OP), as well as the strategies and transversal actions that describe the policies and tools applicable to all FIRA’s branches (agriculture, livestock, fishing, forestry and other economic activities in the rural environment).

¹ For more information, please read the complete Program in www.fira.gob.mx section “Acerca de nosotros =>Programa Institucional 2020-2024” or the ESG micro site section “Programa Institucional”.

² Transversal action number 3 “Ensuring a gender perspective”.

Specifically, Goal #1 addresses the challenge of increasing financial inclusion and reduce barriers for small producers, as well as for women and other vulnerable groups³ (covered by FIRA).

As part of the aforementioned strategy to achieve financial inclusion, in October 2020, FEFA issued its First Social bond with a gender focus (the “Gender Bond”) under a framework⁴ that received a positive second opinion by Sustainalytics for meeting the International Capital Markets Association (ICMA’s) Social Bond Principles. This Gender Bond’s portfolio is composed of hundreds of small, medium and big projects distributed throughout Mexico **in which women have exclusive participation or are led by women** and it includes three major project categories:

- **Financial Inclusion:** New credit recipients. - women who appear for first time in FIRA’s beneficiary databases.
- **Labor and productive initiative:** short run credits or working capital credits for productive projects.
- **Entrepreneurship:** Long-term loans for capital goods acquisition and investment in productive infrastructure.

FIRA’s Gender bond strategy has been widely recognized as innovative and impactful since by increasing the availability of resources for granting loans to women, the institution expands and strengthens its investment portfolio in projects and companies with women exclusive participation or led by them⁵.

Through the financial inclusion of women, FIRA promotes women economic and social development, thereby fostering a greater number of labor and productive initiatives, as well as promoting entrepreneurship for this segment of the population.

This translates not only in women well-being improvement (for them and their families), but also places the entire economy of the rural sector Nationwide on a higher path of progress and development⁶.

³ According to the National Council for the Evaluation of Social Policy (Spanish: CONEVAL), a person is vulnerable when they face any of the social deprivations considered in the measurement of poverty but whose income is higher than the welfare line (minimum income threshold necessary to meet people’s food and non-food needs), or when, despite not facing any social deprivation, their income is below the welfare line (vulnerable by income). Overcoming both conditions requires access to financial services. In the case of FIRA, the vulnerable population to be covered by its programs and financial intermediaries must have a direct link with the productive sector in rural areas.

⁴ Available at www.fira.gob.mx => ESG Portal =>social or www.fira.gob.mx => Relación con Inversionistas => Bonos verdes, sociales y/o sostenibles=> FEFA Social Bond with a gender focus Framework Second Party Opinion Final.

⁵ A company led by women will be understood as that with major participation of women within their shareholding or productive structure.

⁶ Recent studies highlight the contributions and benefits of women financial inclusion, both at the microeconomic and macroeconomic levels (e.g. higher growth and reduction of inequality).





The greater financial inclusion of women contributes to the following issues:

- To have more formal financial services, instead of informal mechanisms, which are generally less efficient, more expensive and riskier.
- To raise the potential of financing as an engine of growth, in addition to help women socioeconomic empowerment within the home and their communities.
- To foster better and more efficient ways to access, use, manage and control resources, which contributes to improve economic opportunities and develop results for them and society as a whole⁷.
- To reduce women disadvantages to seek economic opportunities, their participation in the workforce, and their contribution to the economy⁸.
- To promote women participation in the labor market and women productive inclusion, which reduces income inequality and generates benefits for future generations by improving children health and education.
- To improve income opportunities for women.
- To enhance women to start a business and to increase women entrepreneurship and self-employment.
- To invest in women families and businesses, and to cover emergencies without resorting to personal assets sale⁹.

The greater access of women to financial services generates a strong positive correlation with economic growth, which in turn increases as higher levels of financial access are observed¹⁰.

Finally, and equally important, the social bond strategy aims to achieve involvement amongst stakeholders in implementing gender solutions. It is of paramount importance to create awareness of the gender problems faced as well as to create an active participation of the whole society on its solution. Social bonds with gender focus are great instruments to inform and channel resources towards social gender projects.

⁷ Ashraf, Karlan, & Yin (2009); Kast and Pomeranz (2014); Schaner (2014); and Aker et al. (2011).

⁸ When women's participation in the labor force increases, there is faster economic growth. Therefore, the creation of more and better jobs for women, as well as gender discrimination reduction increase gender equality, both at home and at work, this is included in 2030 Agenda Goals (Carballo, 2020).

⁹ Knowles (2013); Dupas and Robinson (2009 and 2013); Jakiela and Ozier (2012); Gamberoni, Heath, and Nix (2013); and Buvinic and Furst-Nichols (2014).

¹⁰ Sahay et al. 2018. Women in Finance: A Case for Closing Gaps. IMF Staff Discussion Note. Washington, DC: IMF. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/09/17/women-in-finance-a-case-for-closing-gaps-45136>



2. OVERVIEW OF SOCIAL GENDER BOND ISSUE

FEFA issued the Gender Bond in 2020 according to the following:

Issuer:	Fondo Especial para Financiamientos Agropecuarios
Issuer Rating:	mxAAA by S&P and AAA by HR Ratings
Issued amount (MXN):	\$3,000 million
Date of Issuance:	October 19, 2020
Maturity Date:	October 16, 2023
Tenor:	3 years
Bond details:	Floating rate bond, coupon of TIIE ¹¹ + 27 bp
Bond symbol:	FEFA 20 G

In the Framework, FIRA committed to publish an annual use of proceeds report. This report includes, among others, the allocation of the debt proceeds by category per the eligibility criteria defined in the framework and performance indicators.

¹¹ In its Spanish acronym, Tasa de Interés Interbancaria de Equilibrio.

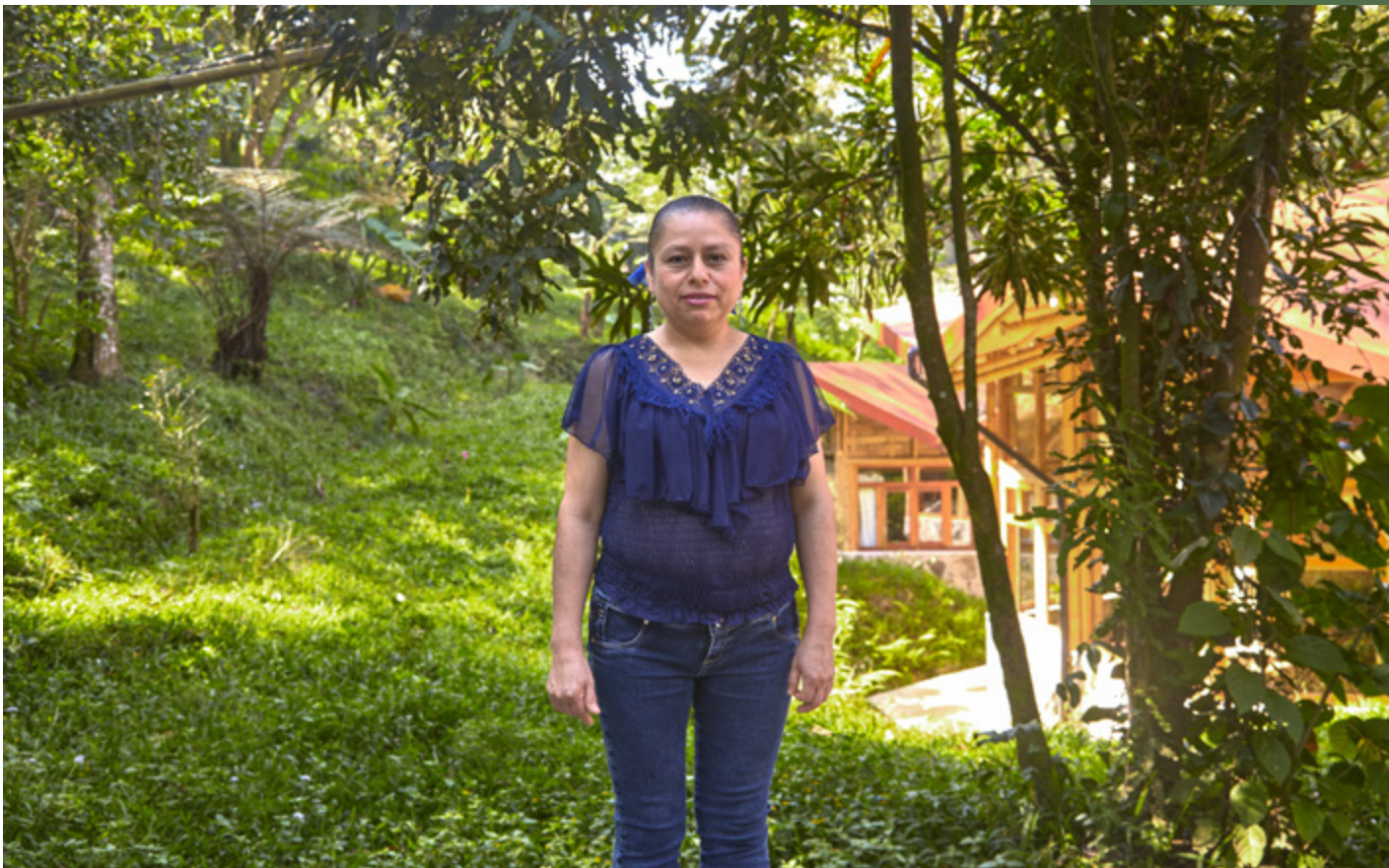
3. USE OF PROCEEDS AND PERFORMANCE

The Social bond proceeds were used to finance or refinance projects led by women in the agricultural, fishing, forestry, agri-food and rural sectors in the three categories outlined in the framework: (i) Financial Inclusion, aimed at new credit recipients; (ii) Labor and Productive Initiatives, to provide financing for working capital for productive projects; and (iii) entrepreneurship, to provide long-term financing for capital investment in productive infrastructure.

In its first year, the Bond resources were completely allocated to finance women investment projects in the sectors that are supported by the Institution through FEFA. 49% of the resources were used to refinance the current portfolio and 51% were employed in new loan applications from women whose projects met the eligibility criteria.

All eligible projects were tagged in FIRA's databases (SIIOF¹²), using a unique identifier (FEFA20G), which served to provide continuous monitoring, correspondence and reporting on the use of resources.

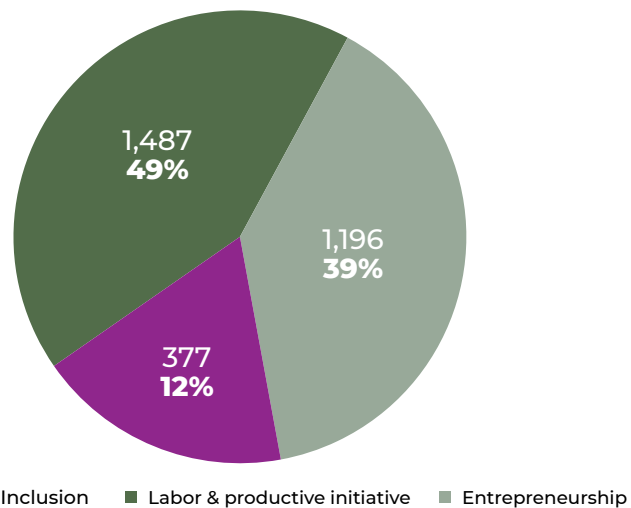
¹² Comprehensive IT System for FIRA Operations.





The resources of the BSG amount to \$ 3,060 million pesos, the category of labor and productive initiative concentrated 49% of the resources, supporting 4,375 women with short-term loans (working capital); It is followed by the entrepreneurship category with \$1,196 million pesos (39%) in long-term loans for investment in infrastructure and productive assets; Finally, 12% of the resources went to financial inclusion, benefiting 4,201 women who for the first time received a loan with FIRA´s resources. (See graph #1)

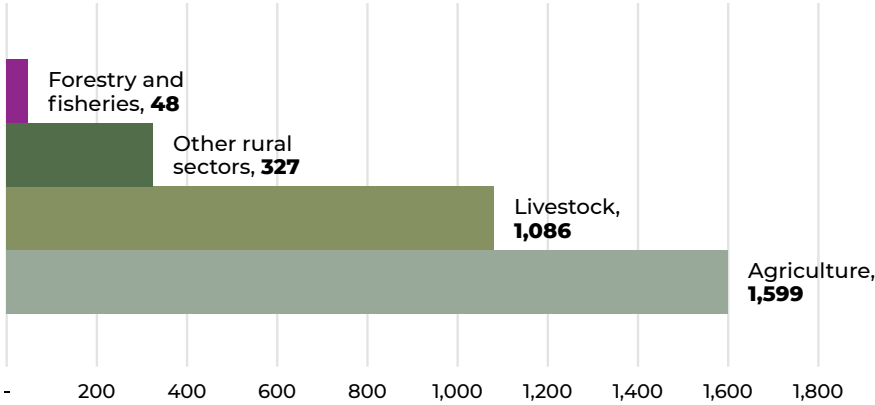
Graph 1. BSG resources by category
(million pesos, percentage)



With the financing of these projects led by women, FIRA promotes the participation of women in the workforce, in addition to improve access to financial services and support economic growth in agricultural, livestock and rural environments, all this while promoting gender equality.

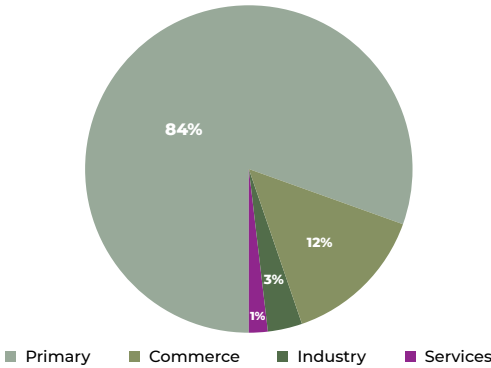
88% of the resources of the BSG were concentrated in the agriculture and livestock branches, which mainly supported projects of primary activities in value chains such as: corn, avocado, cotton, pineapple, sugar cane, among other, while those in livestock were milk bovines and meat bovines. (Graphs #2 and #3).

Graph 2. SBCF resources by branch
(million pesos)

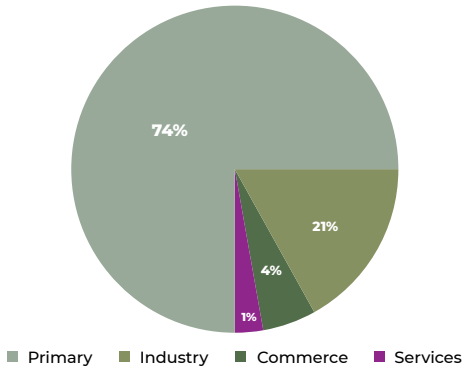


Graph 3. Distribution of economic activities in agriculture and livestock (Percentage)

Related activities with agriculture
Percentage



Related activities with livestock
Percentage





The projects supported with the Social bond proceeds are distributed throughout the 32 states of Mexico. The states of Durango, Chiapas, Sinaloa and Chihuahua were the ones that received the most funding, while Tamaulipas, Jalisco, Chiapas and Sinaloa contributed with a greater number of women beneficiaries. (Table 1)

Table 1. Distribution of BSG resources by State

State	% Participation Credit amount	% Participation Number of Women
DURANGO	12%	0.4%
CHIAPAS	9%	22.8%
SINALOA	9%	6.6%
CHIHUAHUA	8%	0.9%
COAHUILA DE ZARAGOZA	7%	0.4%
TAMAULIPAS	7%	28.8%
MICHOACAN DE OCAMPO	6%	1.0%
JALISCO	5%	22.9%
SONORA	5%	2.4%
VERACRUZ DE IGNACIO DE LA LLAVE	5%	2.2%
BAJA CALIFORNIA	4%	1.2%
GUANAJUATO	3%	1.0%
QUERETARO	3%	0.1%
HIDALGO	3%	0.5%
OTHER STATES	14%	0.2%

4. IMPACT REPORTING

The bond is consistent with the Social Bond Principles which seek to achieve positive socio-economic outcomes for target populations. By financing projects led by women in rural areas, this bond promotes women's participation in the labor force, improves women's access to financial services, and supports economic growth in agricultural and rural settings while advancing gender equality.

The bond will contribute to the achievement of UN Sustainable Development Goals (SDGs) 1, 2, 5, 8 and 10.



In accordance with the bond's framework, this report includes parametric indicators on the social impact of on eligible projects that are considered at the portfolio level.

The following table is a summary by category of the portfolio of women's social projects, which represent 100% of the resources of the first issue of the Social Bond with a gender focus.

Category	Amount of credit granted ^{a/} (million pesos)	# of Credits ^{b/}	# of Women ^{c/}
i. Financial Inclusion	377	1,210	4,201
ii. Labor & productive initiative	1,487	3,995	4,375
iii. Entrepreneurship	1,196	2,607	1,431
Total	3,060	7,812	10,007

a/ It refers to the amount of financing granted to productive projects for women.

b/ Number of operations registered with an identifier in the SIOF.

c/ It corresponds to the number of women supported in each category, without repetition.

Finally, it is important to mention that FIRA is working on evaluating the proceeds of the bond and their effect on the living conditions of women, as well as other indicators linked to gender equality; the results will be included in the following annual reports.



5. EXTERNAL REVIEW

FEFA is engaging the independent provider who will review this report. The opinion of this provider will be published in FIRA's institutional website as soon as it is available.